REVIEWS.

An Honest Dollar. By E. BENJAMIN ANDREWS, President of Brown University. Published by the American Economic Association, November, 1889. — 50 pp.

The question dealt with in this monograph is a most perplexing one. "An honest dollar," in the view of its author, is one in using which it is possible for men to be fair in their commercial dealings. Manifestly, when the power of exchange in the monetary unit is subject to violent fluctuations, either the debtor will gain at the loss of the creditor or the creditor will gain at the loss of the debtor, and if honesty be to pay a debt with money equal in value to that in which the debt was created, a fluctuating unit renders honesty impossible.

The part of this essay which invites critical study pertains to the plan suggested tor holding prices to the new base line which they seem to have settled upon. Turning his back upon the past, the author asks what can be done to ensure stable prices for the future. The following is his statement of the case:

> The bulk of this nation's and of the world's outstanding indebtedness, private and public together, must, by 1889, have ceased to be on the basis of the high prices antecedent to 1873, and would be much more equitably adjusted according to the low prices now ruling. The fall of prices since 1873 has been a terrible calamity, but it has occurred in spite of us, and here we are. The evil, as a whole, a general rise of prices would not correct, but only repeat. We have struck a new base line of prices; let us plant ourselves upon it, and see to it that we are not forced to change again, whether up or down.

All must accede to this statement of the problem, and all who appreciate the evils of fluctuation in prices must be interested in any plan promising its solution. The solution offered in the monograph under review may be best presented in the words of the author. He says:

> I am impressed with the practicability of preserving prices permanently at whatever level they have at any time assumed, by swelling or contracting the volume of money in circulation, on some such plan as has been outlined by Professor Walras, of Lausanne. The method would involve (1) the critical, official ascertainment of the course of prices; (2) the use of some form of subsidiary full legal tender money; and (3) the injection of a portion of this into circulation or the withdrawal of a portion therefrom, according as prices had fallen or risen.

For a satisfactory analysis of this scheme, it will be necessary to go one step further and notice the machinery upon which reliance is placed for increasing and decreasing at will the money in circulation. And indeed it is proper that this machinery should be exhibited, since President Andrews claims that in this he has contributed to the advance of monetary science. He says:

> It [the government] could, manifestly, accomplish the increase by the purchase of silver and the coining of it into tokens, securing its funds for the purchase as for other outlays. The tokens would take the form of certificates and find vent in ordinary government expenditure. But how recover these certificates should there come a rise in prices? The simplest way would be by selling call bonds redeemable in silver certificates, after which the replenishing process could at any time be set in play by simply calling more or fewer of those bonds.

We have now before us the theory on which this plan to regulate prices rests, and the machinery by which it is to be carried out. Will it probably work? The first step, that is, the "critical, official ascertainment of the course of prices," is doubtless feasible; and it certainly lies within the ability of government to purchase bullion and coin it into tokens, or issue upon it certificates of deposit. The question forced upon the critic is, whether or not it is possible to "inject" money into circulation, or to "withdraw" it from circulation, in such a manner as to regulate prices.

The true answer to this question appears to me to depend on the sort of money making up the circulation. If asked by one who holds in mind inconvertible paper money, or, as it is called, "fiat" money, it is doubtless true that prices tend to fluctuate with the number of monetary units; but if asked by one who holds in mind a monetary system based on gold and silver, it is equally sure that the same result would not follow. There is involved in this question one of the most elusive points in monetary science; namely, what is to be included, and what excluded, in determining that thing known as "quantity of money," to which prices are adjusted. Our author defines "quantity of money" as coined money, or deposits of bullion on which certificates are issued. He does not say this, but the logic of his plan demands such a definition, — otherwise how can he expect to anchor prices to "a new base line" by giving the government the right to increase or decrease the amount of coined money?

Such a definition of "quantity of money," however, appears to me to be incorrect, for he who holds it is forced to deny that gold and silver uncoined have any influence on prices, a position that no economist would care to maintain when brought clearly to his attention. But if it be true that gold and silver bullion are already included in the total

amount of exchange medium to which prices are adjusted, how can the purchase of any portion of it by the government, and its coinage into tokens, raise the base line of prices? This question brings before us the fundamental error in the theory on which President Andrews bases his scheme. The number of monetary units afloat do not, as it assumes, determine prices; but prices, being adjusted to the amount of money material known to be available for use, determine the number of monetary units which, according to prevailing commercial custom, are demanded by trade. It is of course true that the denominations in which coins or certificates of deposit are issued decide in large measure whether they are used in retail or in wholesale trade, and therefore that the coining of bullion into small pieces might exert a perturbing influence on retail prices; but this is manifestly so far from what the author is aiming at that we are not justified in belittling his scheme by its suggestion.

The above criticism was framed to meet the formal statement of the scheme under review, and if left to stand without comment might itself be open to censure. My criticism accepts both gold and silver as money material. Were this correct, prices would be adjusted to the total amount of gold and silver in existence exclusive only of that portion used in the arts, a conclusion which seems to be contradicted by the fact that prices have continuously fallen notwithstanding a very liberal annual output of silver. The truth is, however, that silver is not at the present time money material; its use is confined to subsidiary or restricted coinage; prices are not graded to its commodity value, but to the commodity value of gold; and consequently any increase or decrease in its amount can have at most but a prospective influence on the base line of prices. Had we time to follow out the thought thus opened, it would lead to a conclusion of much importance, for it would show that every scheme which proposes to solve the money problem, and to arrest falling prices, by extending the use of a dishonored metal as money, must result in failure. And this applies not alone to the plan under review, but to a scheme like that of Secretary Windom's as well; indeed, it applies to the whole category of arguments by which Congress has of late been induced to force silver or silver certificates into circulation. The truth is, that so long as we hold to a metallic currency, the base line of prices cannot be affected except by a change in the quantity of price-making metal; that is to say, of the metal out of which standard coins are manufactured. No issue of "subsidiary" money can affect prices unless it proceed so far as to cause it to usurp the place of standard coin.

My review of this monograph is wholly inadequate to the importance of the question under discussion. It is unfortunate that limitation of

space forbids my calling attention to its many merits. This, however, is of comparatively slight moment, for the readers of the POLITICAL SCIENCE QUARTERLY may be relied upon to study with appreciative discernment whatever President Andrews may write. HENRY C. ADAMS.

A Treatise on the Law relating to Rates and Traffic on Railways and Canals, with special reference to the Railway and Canal Traffic Act, 1888, *and the Practice of the Railway and Canal Commission.* By A. KAYE BUTTERWORTH, LL.B., assisted by CHARLES E. ELLIS, B.A. London, Butterworths, 1889. — 8vo, xxx, 264, 165 pp.

The Railway and Canal Traffic Act, 1888. By W. A. HUNTER, LL.D., M.P. Part I: *An Exposition of Section 24 of the Act.* London, Sweet and Maxwell, 1889. — 8vo, xv, 212 pp.

The Working and Management of an English Railway. By GEORGE FINDLAY. Second edition, revised and enlarged. London, Whittaker and Co., 1889. — 8vo, vi, 300 pp.

The Railways of England. By W. M. ACWORTH. Second edition. London, John Murray, 1889. — 8vo, xvi, 427 pp.

The Public Regulation of Railways. By W. D. DABNEY. New York, Putnams, 1889. — 8vo, v, 281 pp.

Monopolics and the People. By CHARLES WHITING BAKER, C.E. New York, Putnams, 1889. — 8vo, xv, 263 pp.

Railway Secrecy and Trusts. By JOHN M. BONHAM. New York, Putnams, 1890. — 8vo, 138 pp.

The act of 1888 marks an important step in the history of English railway policy. The law of 1873 which created the Railway Commission had proved so unsatisfactory that the select committee of 1881 was deluged with complaints, mainly as to classification and local discrimination. Repeated attempts were made by the government to enact a new law designed to meet these difficulties, but the bills introduced year after year were always defeated by the opposition of the companies. The passage of the act of 1888 marks a signal triumph for the force of public opinion, to which the English railways have hitherto been singularly little amenable.

Among the numerous treatises that have sprung up as commentaries on the new law, the two here mentioned are the most significant. Butterworth's *Treatise on the Law relating to Rates and Traffic* is more than it purports to be; for it contains not only the law, but in most cases an interesting historical survey and economic discussion of the principles involved in each particular point. The introductory chapter is devoted